

## Message Text

CONFIDENTIAL

PAGE 01 EC BRU 01552 171423Z

47

ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CEA-01 CIAE-00 COME-00 EB-07

FRB-03 INR-07 NSAE-00 CIEP-01 SP-02 STR-04 TRSE-00

LAB-04 SIL-01 SAM-01 OMB-01 L-03 SS-15 NSC-05 XMB-02

OPIC-03 EURE-00 /078 W  
----- 116524

P R 171248Z FEB 76

FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC PRIORITY 526

INFO ALL EC CAPITALS 1684

AMEMBASSY BERN

AMEMBASSY OSLO

AMEMBASSY STOCKHOLM

AMEMBASSY VIENNA

C O N F I D E N T I A L EC BRUSSELS 01552

NOFORN

E.O. 11652: GDS

TAGS: SAS, EFIN, EEC

SUBJECT: EUROPEAN MONETARY SNAKE--FINANCE MINISTERS AGREE ON  
MAINTAIN CURRENT EXCHANGE RATES

REF: PARIS 04624 (NOTAL)

1. SUMMARY: EC SNAKE MINISTERS REAFFIRMED THEIR INTENTION  
TO MAINTAIN CURRENT EXCHANGE RATES. THE MINISTERS BELIEVE  
THAT IT WOULD UNDERCUT CONFIDENCE IN THE NEW MONETARY SYSTEM  
TO CHANGE RATES JUST AFTER THE RAMBOUILLET AND JAMAICA  
MEETINGS. FRB INTERVENTIONS WERE FAVORABLY NOTED. RECENT  
FRENCH DOLLAR INTERVENTIONS WERE CRITICIZED, HOWEVER. THE  
MINISTERS WERE CONFIDENT THAT THEY WILL BE ABLE TO MAINTAIN  
EXISTING RATES AND THERE WAS NO DISCUSSION OF A POSSIBLE  
CHANGE OF PARITIES. END SUMMARY.

CONFIDENTIAL

CONFIDENTIAL

PAGE 02 EC BRU 01552 171423Z

2. HOLD EXISTING RATES: FRG FINANCE MINISTER ABEL

AND FRENCH FINANCE MINISTER FOURCADE REPORTED ON THE RESULTS OF THE RECENT FRANCO-GERMAN SUMMIT (SEE REF-TEL). THEY REPORTED TO A FEBRUARY 16 MEETING IN BRUSSELS OF FINANCE MINISTERS AND CENTRAL BANK GOVERNORS OF EC MEMBER STATES WHICH BELONG TO THE SNAKE. ABEL SAID A GREAT DEAL WAS AT STAKE IN HOLDING THE EXISTING RATES OF EC CURRENCIES. A CHANGE OF RATES JUST AFTER THE NEW ARRANGEMENTS WHICH WERE WORKED OUT IN RAMBOUILLET AND JAMAICA WOULD UNDERCUT CONFIDENCE IN THE NEW MONETARY SYSTEM. THE SNAKE'S CREDIBILITY WAS ALSO IN JEOPARDY. THE FRG CONSEQUENTLY HAS DECIDED IT CANNOT REVALUE AT THIS TIME. FOURCADE CITED POLITICAL AND ECONOMIC REASONS FOR NOT DEVALUING THE FF. BOTH MINISTERS SAID THEIR GOVERNMENTS WERE DETERMINED TO TAKE THE NECESSARY MEASURES TO MAINTAIN THEIR CURRENT EXCHANGE RATE LEVELS.

3. FRENCH VIEWS: FOURCADE ADDED THAT THERE WAS NO REASON TO DEVALUE THE FF. FRENCH EXCHANGE RESERVES ARE LARGER NOW THAN WHEN FRANCE REJOINED THE SNAKE LAST JUNE. PERHAPS THE PROJECTED DETERIORATION IN THE FRENCH BALANCE OF PAYMENTS HAD BEEN OVEREMPHASIZED. FOURCADE PLANS TO ANNOUNCE THAT JANUARY'S TRADE BALANCE INDICATES THAT FRENCH EXPORTS WILL COVER 99 PERCENT OF THE ESTIMATED COST OF ITS IMPORTS THIS YEAR.

4. INTEREST RATE POLICIES: ABEL UNDERLINED THE NEED FOR SNAKE MEMBERS TO FOLLOW APPROPRIATE INTEREST RATE POLICIES. COUNTRIES WITH RELATIVELY STRONG CURRENCIES SHOULD KEEP THEIR INTEREST RATES DOWN WHILE WEAK CURRENCY COUNTRIES SHOULD KEEP THEIRS UP. FRG AND DUTCH AUTHORITIES CITED RECENT MEASURES TO LOWER THEIR INTEREST RATES AND BELGIAN OFFICIALS NOTED THAT THEY HAD TAKEN STEPS TO RAISE RATES.

5. CENTRAL BANK REPORT; THE CENTRAL BANK GOVERNORS COMMITTEE REPORTED THAT TOTAL EXCHANGE MARKET INTERVENTIONS BY SNAKE MEMBERS AMOUNTED TO ABOUT \$2.3 BILLION DURING THE FIRST TWO WEEKS IN FEBRUARY.  
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 EC BRU 01552 171423Z

SLIGHTLY OVER HALF OF THIS WAS IN DOLLARS AND THE REMAINDER IN EC CURRENCIES. FRANCE CONTINUES TO PURSUE A POLICY OF INTERVENING BEFORE THE FF REACHES THE SNAKE MARGINS. FRENCH FINANCE MINISTER FOURCADE WAS QUESTIONED WHY FRANCE INTERVENES IN DOLLARS AT TIMES WHEN THE FF IS DEPRECIATING AGAINST THE DOLLAR AND THE FRG IS BUYING DOLLARS TO KEEP THE DM FROM APPRECIATING AGAINST THE DOLLAR. SUCH INTERVENTIONS IMPEDE

THE COHESIVENESS OF THE SNAKE. FOURCADE REPLIED THAT SINCE THE DOLLAR IS AN "INTERNATION UNIT OF ACCOUNT" IT IS APPROPRIATE TO USE IT AS AN INTERVENTION CURRENCY.

6. FRB INTERVENTIONS: THE GOVERNORS NOTED THAT THE FRG HAD INTERVENED MODESTLY IN THE MARKET TO HELP STABILIZE THE MARKET. THE AMOUNT OF THESE INTERVENTIONS WAS CONSIDERED APPROPRIATE BECAUSE THE DOLLAR WAS NOT UNDER STRONG PRESSURE DURING THIS TWO WEEK PERIOD. FOURCADE CITED THESE INTERVENTIONS AS AN INDICATION THAT THE RAMBOUILLET ARRANGEMENTS WERE WORKING. HE ADDED THAT THE DOLLAR MAY BECOME WEAK ONE OR MORE TIMES THIS YEAR AND THE SNAKE COUNTRIES SHOULD BE READY TO RECIPROCATATE BY SUPPORTING THE DOLLAR. THE DOLLAR SHOULD BE HELD AT ABOUT ITS CURRENT LEVEL, ACCORDING TO FOURCADE, IN ORDER TO FACILITATE EC EXPORTS.

7. PUBLIC IMPACT: DUTCH FINANCE MINISTER DUISENBERG, WHO CHAIRED THE MEETING, PROPOSED KEEPING THE MEETING AS SHORT AS POSSIBLE IN ORDER TO GIVE THE IMPRESSION THAT THE MINISTERS WERE NOT OVERLY CONCERNED WITH THE SITUATION. IT LASTED LESS THAN AN HOUR. IN THEIR PRESS RELEASE, THE MINISTERS REAFFIRMED THEIR CONFIDENCE IN THE SNAKE AND THEIR DETERMINATION TO DEFEND CURRENT EXCHANGE RATE LEVELS.

8. SWEDEN AND NORWAY AS ASSOCIATED MEMBERS OF THE SNAKE WERE NOT INVITED TO THIS MEETING. SWEDISH PERMDEL SOURCES HERE SAY THAT THEY EXPECT TO BE INVITED TO THE NEXT SCHEDULED SNAKE MINISTERIAL LEVEL MEETING WHICH WILL BE ON MARCH 15 IN BRUSSELS. HINTON  
CONFIDENTIAL

CONFIDENTIAL

PAGE 04 EC BRU 01552 171423Z

CONFIDENTIAL

NNN

## Message Attributes

**Automatic Decaptioning:** Z  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** FINANCIAL STABILITY, INTEREST RATES, FOREIGN MINISTERS MEETINGS, FOREIGN EXCHANGE RATES, DEVALUATIONS, MEETING REPORTS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 17 FEB 1976  
**Decaption Date:** 28 MAY 2004  
**Decaption Note:** 25 YEAR REVIEW  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** GarlanWA  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1976ECBRU01552  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** GS  
**Errors:** N/A  
**Film Number:** D760059-0010  
**From:** EC BRUSSELS  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1976/newtext/t19760244/aaaabmlx.tel  
**Line Count:** 154  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION EUR  
**Original Classification:** CONFIDENTIAL  
**Original Handling Restrictions:** NOFORN  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 3  
**Previous Channel Indicators:** n/a  
**Previous Classification:** CONFIDENTIAL  
**Previous Handling Restrictions:** NOFORN  
**Reference:** 76 PARIS 4624  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** GarlanWA  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 04 NOV 2003  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <04 NOV 2003 by GarlanWA>; APPROVED <04 NOV 2003 by GarlanWA>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
04 MAY 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** EUROPEAN MONETARY SNAKE--FINANCE MINISTERS AGREE ON MAINTAIN CURRENT EXCHANGE RATES  
**TAGS:** EFIN, XG, EEC, SNAKE  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006